

REMARKS

This Request for Reconsideration is submitted in response to an outstanding, final Office Action dated May 18, 2004, the shortened statutory period for response set to expire on August 18, 2004.

I. Status of the Claims

Claims 1-23 and 28-29 are pending in the application and were rejected by the Examiner in the May 18, 2004 Office Action. Claims 24-27 were previously withdrawn. Claims 1, 23 and 28 are independent claims.

Applicants acknowledge the Examiner's citation of statutory authority as a basis for claim rejections.

II. Rejections under 35 U.S.C. § 101

The Examiner has rejected claims 1-23 and 28-29 under 35 U.S.C. § 101 as being directed to non-statutory subject matter, on the basis that the claims do not claim the use of a computer and are therefore not tied to a technological art. Office Action at ¶ 3.

Applicants respectfully traverse these rejections for the reasons stated in the previous response/amendment. Applicants submit that as originally drafted independent claims 1 and 23 described methods used to determine a company's probability of no default, and that a probability of no default has clear utility (i.e., it is useful). For example, a company's probability of no default is suited to support investment decisions and is useful in making those investment decisions. Dependent claims 16-18 claim specific examples of such uses. Applicants further submit that the Examiner relies on "current office policy" and has not cited any controlling authority or precedent for the rejection under § 101 and that the rejection is therefore improper and should be withdrawn. In the previous response/amendment, Applicants, in the interest of advancing this application to allowance, amended independent claims 1 and 23 [and 28] to

include display of the company's probability of no default, which is not only a useful result, but also a concrete and tangible result.

Thus Applicants respectfully ask for withdrawal of the rejection of claims 1-23 and 28-29 under § 101.

III. Rejections under 35 U.S.C. § 103(a)

The Examiner has rejected claims 1-23, 28, and 29 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 5,991,743 ("Irving") in view of U.S. Patent No. 6,078,903 ("Kealhofer").

The Examiner stated that Irving discloses the claimed invention but is silent as to the default rating being in the form of a probability of default. The Examiner also stated that Kealhofer discloses that it is known to provide a probability of default, and that it would have been obvious to provide the method of Irving with the probability format of Kealhofer to provide the rating in a numeric probability format.

With regard to independent claim 1 and the claims that depend therefrom, Applicants respectfully traverse the rejection under § 103.

Claim 1 recites: determining a factor reflecting price volatility of shares in the company; determining a factor reflecting price of the shares in the company; determining a factor reflecting debt per share of the shares in the company; determining a factor reflecting expected debt recovery fraction; determining a factor reflecting deviation of the expected debt recovery fraction; and determining and displaying the company's probability of no default using at least the factor reflecting price volatility of shares in the company, the factor reflecting price of the shares in the company, the factor reflecting debt per share of the shares in the company, the factor reflecting expected debt recovery fraction and the factor reflecting deviation of the expected debt recovery fraction.

First and foremost, Applicants agree with the Examiner that Irving does not disclose or suggest determination of probability of no default. Irving discloses determining an “overall business rating” for a company based on several “predetermined risk categories” which in turn are affected by “risk related information.” This “overall business rating” consists of ratings such as “strong” and “marginal.” Thus, even if these ratings could be construed as being a risk rating, it is so different from a probability of no default that the Examiner’s obviousness rejection does not meet the standards of the Graham v. John Deere test. Indeed, because of this large difference, there is insufficient motivation to combine Kealhofer and Irving.

Furthermore, Irving does not disclose or suggest determining of a factor reflecting the price of the shares in a company and using that factor in combination with others to determine the company’s probability of no default. The Examiner stated that these are taught by Irving’s reference to “stock price” (at col. 2, line 56) and monitoring of “the financial health of a client” (at col. 1, lines 46+). However, one, a close examination of the reference to “stock price” and its surrounding text (col. 2, lines 33-65) reveals that the stock price is one of “other information [that] can be ascertained” (underlining added). In other words, the stock price in Irving is something that gets determined, an end result of its process, and not a factor that is used to determine something else. Indeed, Irving shows that its ascertainment of the stock price occurs after the “risk related information” is collected, processed, and organized (Irving at col. 2, lines 40-41). Therefore, the stock price in Irving is not used to determine a default rating or a company’s probability of no default.

Two, contrary to what the Examiner stated, the term “financial health” as generally understood by those skilled in the art does not equate to share price and/or share price volatility, for the term is much broader, and based on numerous and potentially different combination of factors that are distinct from share price and/or share price volatility. Thus a

financial health of a company cannot be indicated by share price and/or share price volatility.

Indeed, the stock market has plenty of financially healthy companies with volatile share prices, as well as financially unhealthy with stable share prices. Furthermore, Irving does not even describe what factors are used to determine the financial health of a client, and there is no indication in Irving that its stock price is one of the “risk factors” that are monitored.

Therefore, Irving does not disclose determining a factor reflecting price of shares in a company and using the price to determine a probability of no default.

The same can be said with regards to claim 1’s determination of a factor reflecting price volatility of shares in a company and using that factor in combination with others to determine the company’s probability of no default. Nowhere in Irving is there mention of price volatility. Yet the Examiner stated that Irving teaches price volatility because it makes reference to “stock price” in one sentence and its system purports to monitor “risk factors” over time. First, as shown above, Irving does not disclose monitoring of stock price over time. Second, if it did, the mere monitoring of stock price over time does not equate to determining a factor reflecting price volatility of shares, for price volatility is something that has to be determined, and Irving discloses no determination of price volatility based on movements in share price over time. Third, Irving does not describe any linkage between price volatility of shares and probability of no default. Thus Irving does not disclose or suggest price volatility of shares of a company or use of price volatility of shares to determine a default rating or a company’s probability of no default.

With regards to claim 1’s determination of a factor reflecting debt per share in a company and using that factor in combination with others to determine the company’s probability of no default, the Examiner states that these are taught by Irving because the reference’s “system tracks balance sheet figures which inherently include debt per share” (Office Action at page 3).

Applicants respectfully disagree with the statement that balance sheet figures inherently include debt per share. Balance sheets usually list the assets and liabilities (including different types of debt) of a company, as well as the number of shares that have been issued. Nevertheless, balance sheets, including those that comply with U.S. Generally Accepted Accounting Principles (GAAP), typically do not contain an entry for debt per share. Moreover, the term “balance sheet figures” is so broad and vague, and can encompass so many different types of information, that it cannot be construed to mean debt per share, or for that matter, even the number of shares or amount of debt. Therefore, Irving does not disclose determining a factor reflecting debt per share in a company and using the price to determine a probability of no default.

With regards to claim 1’s determination of a factor reflecting expected debt recovery fraction and a factor reflecting deviation of the expected debt recovery fraction, and using those factors in combination with others to determine a company’s probability of no default, the Examiner states that Irving discloses them because Irving’s system “tracks historical risk ratings including predetermined risk categories as predetermined risk inherently incorporates that amount of debt is expected to be recovered.” (Office Action at pages 4 & 5). However, one, Irving’s system does not track historical risk ratings. It actually does not even disclose historical risk ratings or the use thereof to calculate present risk. The relevant portions of Irving (col. 1, lines 45-50 and col. 3, lines 28-33) show that Irving’s “predetermined risk categories” that are considered for the purpose of determining a rating include the credit history of the client, the financial health of the client, the current economic conditions of the client’s industry, and the current economic conditions of the geographic regions that the client does business in. Thus the “predetermined risk categories” do not include “historical risk ratings” as the Examiner stated. Perhaps the Examiner was referring to the category of credit history, but even that cannot constitute an expected debt recovery fraction or a deviation of expected debt recovery fraction,

for “credit history” includes a company’s entire past history of borrowing, and does not necessarily include the event of a default.¹ The term is thus much too broad, vague, over-inclusive, under-inclusive, and simply different.

Two, Irving’s “predetermined risk categories” do not incorporate inherently the expected debt recovery. None of the “predetermined risk categories” comes close to being an expected debt recovery fraction or a deviation of expected debt recovery. The current economic conditions of a company’s industry and a company client’s geographic regions in which it does business are both macroeconomic factors to which a single company’s expected debt recovery is clearly irrelevant. A company’s credit history, for the reasons stated in the previous paragraph, cannot inherently incorporate the company’s expected debt recovery. The same can be said for the financial health of a company.

Three, even if Irving’s system did track “historical risk ratings,” that still would not be the same as using a factor reflecting the expected debt recovery fraction and a factor reflecting the deviation thereof in combination with others to determine a company’s probability of no default, because “historical risk ratings” simply are not the same as expected debt recovery fraction and/or deviation of expected debt recovery fraction.

Therefore, for the above reasons, neither Irving nor Kealhofer, alone or in combination, discloses or suggests determining a factor reflecting price volatility of shares in a company, a factor reflecting price of the shares in a company, a factor reflecting debt per share of the shares in a company, a factor reflecting expected debt recovery fraction, and a factor reflecting deviation of the expected debt recovery fraction, and using at least these factors to determine and display the company’s probability of no default as recited in claim 1.

¹ Debt recovery fraction reflects information on the recovery of debt *following default*. See the present specification at page 10.

As for claims 2-22, they depend either directly or indirectly on claim 1.

Therefore, they too are not obvious over Irving in view of Kealhofer. Claims 23 and 28-29 do not depend on claim 1, but they recite some or all of the limitations of claim 1 that are not disclosed or suggested by either Irving or Kealhofer or the combination of both. Therefore, they too are not obvious over those references. It is also worth noting that the Examiner's definition of the term "substantially" to mean "relating to" (Office Action at pages 3 & 5) is over-reaching. The term "substantially," as the Examiner knows, is used often in patent claims (cf. MPEP § 2173.05(b)), and is generally not construed to mean "relating to." Furthermore, Irving does not disclose any formula for carrying out its analysis, and the Examiner has not stated which "factors" of Irving "relate to" what in the claimed equation.

Therefore, at least for these reasons, Applicants ask the Examiner to withdraw the rejection under § 103 of claims 1-23, 28, and 29 over Irving in view of Kealhofer.

IV. Request for Reconsideration

Applicants respectfully submit that the claims of this application are in condition for allowance. Accordingly, reconsideration of the rejections and allowance are requested. If a conference would assist in placing this application in better condition for allowance, the undersigned would appreciate a telephone call at the number indicated.

PATENT
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Respectfully submitted,
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